

SSN OR FEIN

Name	Hawaii G.E./Use Identification Number
------	---------------------------------------

3. A copy of the certification issued by the Department of Business, Economic Development & Tourism

INSTRUCTIONS  
**FORM N-756**  
(Rev. 2001)

STATE OF HAWAII — DEPARTMENT OF TAXATION  
**INSTRUCTIONS FOR FORM N-756**  
**ENTERPRISE ZONE TAX CREDIT**

## GENERAL INSTRUCTIONS

A qualified business which has received certification from the Department of Business, Economic Development & Tourism may claim the enterprise zone tax credit.

A business that has been certified is entitled, subject to the apportionment provisions, to an enterprise zone tax credit against any taxes due the State according to the following formula:

First year	80% of tax due
Second year	70% of tax due
Third year	60% of tax due
Fourth year	50% of tax due
Fifth year	40% of tax due
Sixth year	30% of tax due
Seventh year	20% of tax due

In addition, a business that has been certified is entitled, subject to the apportionment provisions, to an enterprise zone tax credit against any taxes due the State in an amount equal to a percentage of unemployment insurance premiums paid on the payroll of all the business' employees employed in the enterprise zone, including employees who do not qualify under the definition of a low-income person, according to the following formula:

First year	80% of premiums paid
Second year	70% of premiums paid
Third year	60% of premiums paid
Fourth year	50% of premiums paid
Fifth year	40% of premiums paid
Sixth year	30% of premiums paid
Seventh year	20% of premiums paid

**If the enterprise zone tax credit exceeds the taxpayer's tax liability, the excess of credit over liability shall not be refunded to the taxpayer, nor shall it be carried over or carried back to another tax period.**

The enterprise zone tax credit shall apply only to the extent that a qualified business conducts trade or business within the zone. A business which has income taxable both within and without Hawaii shall apportion and allocate the business' net income under sections 235-21 to 235-39, Hawaii Revised Statutes, (HRS), prior to calculating the enterprise zone tax credit.

*"Trade or business"* means all business activity by a qualified business within an enterprise zone, whereby 1) tangible personal property is sold at wholesale and the sale takes place within the zone, 2) a qualified business engages in a service business within the zone, or 3) value is added to materials or products that are manufactured within the zone. *"Trade or business"* also includes engaging in producing agricultural products where the business is a producer as defined in section 237-5; engaging in research, development, sale or production of all types of genetically-engineered medical, agricultural, or maritime biotechnology products; and engaging in producing electric power from wind energy for sale primarily to a public utility company for resale to the public.

*"Service business"* means any corporation, partnership, or sole proprietorship that repairs ships, aircraft, or assisted technology equipment, provides telecommunication services, information technology design and production services, medical and health care services, or education and training services as defined in Chapter 209E, HRS.

Tangible personal property shall be sold at wholesale at an establishment of a qualified business located within an enterprise zone. The transfer of title to the buyer of the tangible personal property shall take place in the same enterprise zone in which the tangible personal property is sold.

Services shall be sold at an establishment of a qualified business engaged in a service business within an enterprise zone and the services shall be delivered in the same enterprise zone in which the services are sold. Where the service business, in the same transaction, engages in both the sale of tangible property and services, the service business shall segregate the sale of services from the sale of tangible personal property.

Value must be added to materials or products that are manufactured within the enterprise zone.

Each partner, S corporation shareholder, or LLC member (member) of a business that has been certified shall separately determine for the member's taxable year within which the business' taxable year ends, the member's share of the

credit. The member's share of the entity's net income or loss and unemployment insurance credit shall be determined in accordance with the ratio in which the members divide the profits and losses of the partnership, S corporation, or LLC respectively.

**Note:** *ALL of the following must be attached to your tax return in order to claim the enterprise zone tax credit:*

1. Form N-756, Enterprise Zone Tax Credit
2. Form N-756A, Information Statement, if you are a partner of a partnership or a shareholder of an S corporation
3. A copy of the certification issued by the Department of Business, Economic Development & Tourism

## SPECIFIC INSTRUCTIONS

### PART I

**Line 1.** — Enter the total tax liability from Form N-11, line 26; Form N-12, line 39; Form N-15, line 41; Form N-30, Schedule J, line 20; or Form N-70NP, line 13; whichever is applicable. (**Note:** For Forms N-11, N-12, and N-15, do not include the separate tax from Forms N-2, N-103, N-152, N-312, N-405, N-586, or N-814 in your total tax liability.)

**Line 2a.** — Enter the total gross income of the qualified business within the zone during the taxable year whereby tangible personal property is sold at wholesale to business firms, a qualified business engages in a service business, or value is added to materials or products that are manufactured by a qualified business.

For an individual operating as a sole proprietorship, enter the amount of the business' net income which is attributable to the conduct of trade or business within the zone. This is calculated by multiplying the business' net income by a fraction; the numerator being the total gross receipts of the business within the zone and the denominator being the total gross receipts of the business within Hawaii.

Members should enter the amount from Form N-756A, line 2e.

**Line 2b.** — Enter the total gross income of the qualified business within Hawaii during the taxable year, including sales within and without the enterprise zone. A business is taxable without the enterprise zone if the business has: 1) income from business activity within the zone which does not fall within the definition of trade or business, or 2) income from business activity conducted outside the zone. This term includes work that a business located within a zone subcontracts to a business located outside the zone and the work is delivered outside the zone.

For an individual, enter the total gross income within Hawaii, including your business's net income (if operating as a sole proprietorship), salary, interest income, dividend income, etc.

Members should include in the total amount reported on line 2b, the amount from Form N-756A, line 2a.

**Line 4.** — Enter the total amount of unemployment insurance premiums paid on the payroll of all the business' employees employed in the enterprise zone.

Members claiming their share of the entity's unemployment insurance premiums paid within the zone should skip lines 4, and 5a-5c; and enter the amount from Form N-756A, line 3e, on line 6. On the dotted line next to line 6, write "From Form N-756A."

**Line 5a.** — Enter the total payroll for employees employed within the zone during the taxable year. An employee is employed within the zone if: 1) the individual's service is performed entirely within the zone, or 2) the individual's service is performed both within and without the zone, but the service performed without the zone is incidental to the individual's service within the zone.

**Line 5b.** — Enter the total payroll for all employees within Hawaii.

**Part II** should be completed if your 7-year cycle began at the start of your taxable year.

**Part III** should be completed if your 7-year cycle began during your taxable year rather than at the start of your taxable year.